

**ST. MARY'S UNIVERSITY**  
**FACULTY OF BUSINESS**  
**DEPARTMENT OF MANAGEMENT**

**AN ASSESSMENT OF PURCHASING PRACTICE IN  
THE CASE OF GOAL ETHIOPIA**

**BY**  
**SELAMAWIT SEFERIH**

**JUNE, 2014**

**ADDIS ABABA**

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THE CASE OF GOAL ETHIOPIA**

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# **CHAPTER ONE**

## **INTRODUCTION**

### **1.1 BACKGROUND OF THE STUDY**

Traditional research on purchasing practices was concerned with identifying the best selection ways of suppliers based on supply characteristics (Kraljic, 1983). This research helped shifting the focus of purchasing from supply management to supplier management. Bensaou (1999) further recognized that the key role of purchasing lies in managing relationships, not only between buyers and suppliers but also in the wider supply chain network. Based on these contributions, marketing and supply chain scholars have examined developments in purchasing with reference to relationship management and supply chain networks respectively. With respect to measurement of purchasing performance, a recently developed framework helps us to a better awareness of how organizations relate to their supply markets (Lindgreen, Van Raaij, Vanhamme, and Johnston, 2013). The purchasing framework presents business practitioners with robust and well-tested ways of evaluating what they are doing, using indicators based on the exchange and managerial aspects of purchasing practices. The measures used are general enough to have relevance across the range of the said practices. This framework can provide a helpful reference point to draw together thinking and existing purchasing practices. Additionally, purchasing practices drastically have been transformed in recent years by factors such as the increasing exposure of supply chains to risks, the development and adoption of information technologies, and a growing attention of organizations to ethical practices (Lindgreen, Maon, Vanhamme, and Sen, 2013).

Goal Ethiopia, an international Irish funded NGO working in more than 10 regions of Ethiopia and has an 85% centralized way of purchasing practices the rest will be processed whenever there is a need to procure a small amount that doesn't need the help or approval of the Head office. There are various categories of items purchased in the organization having different levels of importance and budget implication. The largest portion of the organization budget is allocated for humanitarian response program. Major purchases under this category are medicines, house utensils, nutrition enriched foods like plumpy nut, stationery materials and so on. So all these

items has to be at the right quality, in the right quantity at the right price from the right source at the right time.

For a non-profit organization of course one cannot seek to maximize its profit it can however seek to maximize the benefits the organization receives from its appropriated or endowed dollar (Donald W. Dobler, Lamar Lee, Jr. And David N. Burt, 1984, 16).

Therefore the Main objective or purpose of this research paper is to assess the overall purchasing practice and mechanism of Goal Ethiopia by focusing on the procedures that hinders the performance of the organization to meet its objectives on timely basis.

## **1.2 Statement of the Problem**

The huge amount of budget allocated for purchasing and the strict government regulations and Procedures demand careful purchasing management. Observing the purchasing practice in an NGO one can realize the importance for thorough analysis and fundamental improvements so that the function plays valuable role for the efficient and effective accomplishment of the organization's mission.

As being using a centralized way of purchasing, it avoids duplication and all the records with regard to purchase are kept in one place under the supervision of the procurement manager. However a major Delay is caused as different departments of different places will send their requirements to the purchasing department. The purchasing department will purchase the necessary items and send to other departments. In this case There is a lot of chance of misunderstanding between purchase department and other departments because other departments may not get their requirement according to their own will and It results more cost of transportation and botheration as well as time taking, as it is purchased in one place and send to the distance places. And also it results:

In additional cost: The first selected supplier might be the one who quoted the least price but since the item won't be available at the stock anymore the organization is forced to purchase from another supplier in additional cost and also due to inflation the item might cost higher than what has been offered previously which results in unnecessary expense.

Suppliers stock out items (Getting out of stock): items become obsolete and accessories will not be available anymore. This makes the process back to square one. So all the materials, time and man power have been wasted. And also because of this quality will be compromised and second choice of the available item will be purchased.

Work will be hindered: GOAL Ethiopia mainly focuses on humanitarian program responses like nutrition; Education, health... so all the materials needed to accomplish the objective of the organization has to be delivered at the right place at the right time otherwise all the works will be slowed down

Therefore this paper intends to clearly assess purchasing practices of GOAL Ethiopia, and tries to recommend possible solutions.

### **1.3 RESEARCH QUESTIONS**

The following research questions was addressed by the study.

- What are the purchasing procedures and practices of the organization?
- To What extent those purchasing procedures are used?
- What factors affect the purchasing process?
- Which improvements can be made to the whole purchasing process?

### **1.4 OBJECTIVES OF THE STUDY**

In line with the problem statement, this study has the following general and specific objectives.

#### **1.4.1 GENERAL OBJECTIVE**

This study aims at reviewing the purchasing practice of GOAL Ethiopia, assessing the Variables that influence its efficiency and examine the implication of the prevalent purchasing Practice on the organization.

#### **1.4.2 SPECIFIC OBJECTIVES**

In addition to the broad purpose, the specific objectives of the study was

- To examine the steps involved in the purchasing process and assess their importance

- To analyze the purchasing policy guidelines and manuals and the extent they are used for the effective use of the purchasing process
- To Identify the merits and drawbacks of the purchasing policy and procedures
- To scrutinize the factors that affect the purchasing policy and manual on efficient purchasing practice
- To make feasible recommendations and improve the purchasing practice and Procedure

### **1.5 SIGNIFICANCE OF THE STUDY**

This study is believed to help for the clear understanding of the reasons behind the purchasing practices and its implications on the accomplishment of the organization objective. And also thorough analysis the paper is believed to discover and recommend mechanisms for Feasible and efficient purchasing procedures, which would help to save significant amount of time and money that otherwise, would be wasted.

The study shall also be a useful input for further research on the area.

### **1.6 DELIMINATION / SCOPE OF THE STUDY**

The focus of this paper was the purchasing Practice of GOAL Ethiopia at Head office level. The results of the study cannot be fully accepted as being completely relevant and applicable to all NGO Organization, because of the limited time we have, sample size, sampling procedure and particularly its focus is on one organization. However some degree of generalization might be possible. Currently GOAL Ethiopia works in more than 10 regions of Ethiopia Unfortunately this study is geographically limited to the company's head office in Addis Ababa because unless it is very small amount of money most of the purchasing style of the organization is centralized all items are purchased at Head office level and distributed to field offices.

### **1.7 RESEARCH DESIGN and METHEDOLOGY**

#### **1.7.1 RESEARCH DESIGN**

Since the main purpose of this study was to make an assessment on the purchasing procedures and practices in the case of Goal Ethiopia, the researcher used descriptive way of research designed and followed by qualitative and quantitative approach.

### **1.7.2 POPULATION AND SAMPLING TECHNIQUE**

All items in any field of inquiry constitute a universe or population. It is obvious that in such inquiry no elements of chance is left and highest level of accuracy can be obtained but in reality this may not be practical due to time, money and energy constraints. (Kothari, 2004). Accordingly, the population for this study will be actual employees of the organization who are directly involved in the purchasing process and who are indirectly affected by the process. Therefore the total employees of the organization in Head office are around 80 and the population for this particular study that helped to get accurate data was the whole employees.

To accomplish the study, the researcher has used a census data collection. This was preferred because it provided the possibility of examining the entire population and acquiring information in a small confined place.

### **1.7.3 TYPE OF DATA USED**

Both primary and secondary data were used in the study. The primary data was conducted using questioner for the whole employees and also in addition to that using an interview for some selected employees to get the first hand information; Secondary data was gathered by reviewing various purchasing documents and purchasing manual. For comprehensive coverage of the subject matter researches on the area was examined and books, journal and Internet resources were reviewed.

### **1.7.4 METHODS OF DATA COLLECTION**

Quantitative and Qualitative data were collected through a self-administered questionnaire and Interview. All the questionnaires have been distributed to all employees and to some selected staffs of the organization for the interview.

### **1.7.5 METHODS OF DATA ANALYSIS**

The response which obtained from the questionnaires had been cleaned, analyzed and presented through percentage, Graph and table. The descriptive statistics (Central Tendency) were applied to assess the trend and practices of the purchasing procedure of the organization. And also to assess the effects of the procedures with respect to on time delivery.

### **1.8 LIMITATION OF THE STUDY**

The Credibility of this research is up to GOAL Ethiopia Purchasing department that means this research is limited only to a specific organization. Even though some of its ideas can be used to describe other situations, this study cannot be used to generalize any other research. Other than this, not responding to the questioners on time, not even responding at all were the limitations throughout the study.

### **1.9 Organization of the Study**

This study was comprised of four chapters. The First Chapter presented the statement of the problem and mentioning the purpose of the study and also it presented the research methodology. The second chapter tried to see the concept with appropriate literature. Data analysis and interpretation were included under chapter three and the last chapter which was chapter four discussed about the summary, conclusion and recommendation.

## **CHAPTER TWO**

### **REVIEW OF RELATED LITERATURE**

#### **2.1 INTRODUCTION**

In order to manage organizations effectively and efficiently every functions of the firm shall be given due considerations. Particularly those functions of the organization taking significant portion of the budget rather require preferential attention. Purchasing is one of the basic functions common to all types of business enterprises. It is basic because no business can operate without it. Thus, the success of any organization depends on the purchasing executive as it does on the executives who administer the other function of the organization.

#### **2.2 PURCHASING DEFINATION**

It is very difficult to list all the definitions of purchasing but some of the purchasing definitions are "Purchasing is the activity responsible for getting the right material to the right place, at the right time, in the right quantity, at the right price" (Herel , Encyclopedia 1996:994) . Purchasing refers to a function in business whereby the enterprise obtains the inputs for what it produces, as well as other goods and services it requires. Purchasing is one of the basic functions common to all types of business enterprise. These functions are basic, because no business can operate without, them (Dobler 1984: 327). Purchasing is the responsibility of buying the kinds and quantities of materials authorized by the requisitions issued by production scheduling, inventory control, engineering, maintenance and other department of function requiring materials (Leenders, ,1989: 25).

In general purchasing can be defined as acquisition of required materials, services and equipment used in the operation of an organization. It is one of the basic functions common to all types of business enterprise. In order to fulfill the basic responsibility of optimizing company profit, all business functions must mesh into a unified whole. The purchasing function is usually performed economically and efficiently by a specialized, Centralized Purchasing Department, directed by a skilled purchasing manager. But the purchasing function does not have to be performed in such a

manner. In practice it is sometimes performed by any member of different executives or departments.

### **2.3 MAJOR TASKS OF PURCHASING**

"Purchasing in broader terms involves; determining the need, selecting the supplier, arriving at proper price, terms and conditions, issuing the contract or order, and following up to ensure proper delivery" (Alijan, 1975:270). "In simple terms the basic element involves in performing the purchasing function are obtaining the proper equipment, material supplier and service in the right quality, in the right quantity, at the right price and from' the right source" ( Alijan, 1973: 1 -3). It is a supplies management function that covers the acquisitions stage of supplies from receipt of the 'notice of need' to the final clearance of the invoice including negotiation, placing purchase orders, chasing delivery, recording purchases, clearing price checks on the invoices related to purchases.

### **2.4 PURCHASING DEPARTMENT RESPONSIBILITIES**

Purchasing is one of the basic functions of a given organization shouldering the following:

- Provide an uninterrupted flow of materials, supplies, and services required to operate the Organization.
- Keep inventory investment and loss at a minimum
- Maintain adequate quality standards
- Find or develop competent vendors / suppliers
- Standardize where possible, the items bought
- Purchases required items and service at lowest ultimate price
- Improve the organizations competitive position.
- Achieve harmonious, productive working relationships with other departments within the Organization.
- Accomplish the purchasing objectives at the lowest possible level of administrative costs (Leenders, 1989: 26).

### **2.5 OBJECTIVES OF PURCHASING**

The objectives of purchasing can be classified into three levels including: general managerial



Level objectives, functional level objectives and detail / operational level objectives (Dobler, 1996:43).

### 2.5.1 GENERAL MANAGERIAL LEVEL OBJECTIVES

"The standard statement of the overall objectives of the purchasing function is that it should obtain the right materials in the right quantity, for delivery at the right time and place, from the right source with the right service (after and before sale) and the right price " (Leenders, 1989:24). from the top managerial perspective, purchasing has the following objectives, which can be explained in terms of the 5R's of purchasing.

1. ***Right quality*** -quality is defined as simply 'fitness for purpose' or the British standard institution defines "the totality of features and characteristics of a production or service that bear on its ability to satisfy a given need" (Nair, 1990: 125). In meeting, this objective purchasing must select items, which have sufficiently quality to fit users' requirements and specifications. The term quality as used in the field of purchasing carries quite a different meaning than the meaning that we usually associated with this word. In common usage, it refers to the excellent features of the subject, "The right quality is the suitable of an item for a given purpose" (Nair, 1990: 125).
2. ***Right quantity*** -The right quantity is more relevant to the purchase of consumables or parts or assemblies for manufacturing than for project buying. Fulfilling these objectives will enable to provide a continuous and uninterrupted material at the minimum cost. In most organization the decision of how much to purchase is more important by the close relationship of purchases quantity and schedule use. (Parson, 1982:25) The decision of how much to acquire follows clarification of what is acquired. Therefore before making decision considering factors that complicate that quantity decisions are essential, including:
  - The larger the quantity is the lower the unit price.
  - The larger the quantity the higher the storage costs
  - The larger the quantity is the higher the risk of damage.
  - The larger the quantity the higher the cost of items in storage
  - The larger the quantity the fewer orders that will be place and hence the lower the ordering cost.

3. **Right price** -A traditional purchasing objective is to obtain the lowest possible purchase price. However, the common practice is to obtain the best life cycle price or the lowest total acquisition cost. "The factor that affect the price of items are quality and quantity required, urgency of requirements, demand and supply of materials in the market, whether there is room for competition or not, whether the past business relationship was good or not' strained " (Parson,1982: 145).
4. **Right time** --The delivery of the contracted item to the right place at the right time is an important procurement function. Proper buying enhances production schedules with out loading warehouse with excessive inventory and also minimizes the unfavorable effects of price changes. In case of regularly used or procuring' items, right time may mean the time when the stock reaches the minimum level adhering the responsibility shared both by the purchasing unit, and the approving body.
5. **Right supplier** -the right source is fundamental component or the major purchasing objectives. Basic information about the number and location of potential suppliers, the nature of products, prices charged and forecasts of the economic condition can be acquired if we are to analyze the supply market effectively rather than simply buy from traditional sources which may not be competitive.

But there are problems faced by the purchasing units securing right and permanent source of supply. The first problem is identifying potential source of supply, then selecting the right reliable supplier is also challenging. The most difficult challenge is to secure long-term relationship with the right supplier because of the dynamic nature of the business environment and continuous attempt of businesses to make better profit relationship with the right suppliers might not last long. Hence periodic revision of the status of the relationship and making the necessary amendments in agreements is required.

### **2.5.2 FUNCTIONAL LEVEL OBJECTIVES**

The operational Functional level perspective probes more deeply to develop a set of statements that provide practical and useful targets for decision-making purpose. This Perspective contains eight basic objectives:

1. To support company operations with uninterrupted flow of materials and services.
2. To purchase competitively:

It involves keeping side by side of the forces of supply and demand and regulates prices and availability of materials in the market place. It also involves understanding of the suppliers cost structure and then negotiate price and service arrangement that are fair relative to the suppliers actual cost.

3. To keep inventory investment and inventory loss of at a practical minimum.

Maintaining a large inventory is one way to achieve objective one, but it is also costly,

Hence the supply management job is to achieve a reasonable balance between the level of inventory required to support operations and the cost of carrying the inventory.

4. To buy wisely.

Buying wisely involves a continual search for better values that yield the best combination of quality, service and price relative to buyers' need. It may also involve coordinating and reconciling user's need with supplier's capabilities, to achieve optional values considering both Issues.

5. To achieve maximum integration with the other departments of the firm. It is essential to understand the major needs of their using departments, so that these needs can be translated in to materials support actions. The most common types of support actions are forecasting future prices and business conditions, performing economic make or buy analysis etc.

6. To handle the purchasing and supplies management function proactively in a Professional, cost effective manner. Management should expect the preceding the above objective to be achieving in a professional manner at a cost that is appropriate with their value to the organization.

7. To develop effective and reliable sources of supply. Cooperative suppliers that are willing to work with a buyer to help solve the buying organizations problems and to minimize its materials related costs are valuable resources.

8. To develop good relationship with the supplier community and good continuing relationship with potential suppliers.

Dobler, 1996:42-44

### **2.5.3 DETAIL LEVEL OBJECTIVES**

At this level precise strategic buying plan are formulated. The focus is on the detailed objectives that are developed when precise buying plans are made for each of the major categories of

materials the firm uses in its operation. These objectives are produced from the second level objectives and are applied to fulfill the specific needs associated with each type of purchase.

The precise set of objectives for each material typically varies because the usage requirement, the operating conditions and the markets in which each material is purchased usually are different. These objectives focus on points like quality, sourcing, pricing, production and inventory planning.

## **2.6 GENERAL PROCEDURE OF PURCHASING**

Procedures used in completing a total transaction normally vary among different types of purchases in different organizations. However, purchasing procedures refers to the way in which a purchase transaction is carried through from its inception to its conclusion. A purchasing proceeding usually begins with an investigation of new suppliers can be made for renegotiating contracts with existing suppliers. The general cycle of activities in purchasing most operating materials and suppliers is fairly standardized. The following steps constitute the typical purchasing procedures.

### **1. Organizing of purchase requisition.**

The need for a purchase typically originates in one of a firm operating departments or in its inventory control section. It is a stimulus for purchaser to initiate purchasing. The essential information which requisition should contain includes a description of the material; quantity, date required; estimated unit cost; the date; an authorized signature.

### **2. Verification of purchase requisition.**

The purchasing department verifies whether the requisition is appropriately filled or not.

### **3. Evaluation and selection of the supplier.**

As soon as the need has been established and precisely describe, the buyer begins an investigation of the market to identify potential source of supply. In the case of routine items for which supplier relationship have already been developed, little additional investing may be required to select a good source on the other hand the purchase of high-value or new item may require lengthy investigation of potential suppliers to make a decision about the most desirable supplier.

#### 4. Preparation of purchase order.

Once a supplier has been selected the purchasing department prepares and issues a serially numbered purchase order. In most cases the purchase order becomes a legal contract document. For this and other reasons the buyer in preparing and wording the order should take great care.

#### 5. Follow up

Also called expediting, purchasing bears full responsibility for an order until the material is received and accepted. When there is a reasonable chance that the supplier may not stay on schedule important orders with critical delivery date should receive active follow-up attention. There may be a need to speed up (expedite) or even delay (de-expedite) delivery if the buyers timing requirements undergo unexpected changes.

#### 6. Receiving and Inspection

The supplier delivers the materials with the packing slip, which itemizes and describes the contents of the items. The receiving clerk uses this packing slip in conjunction with his/her copy of the purchase order to verify that the correct material has been received.

#### 7. Payment

The typical procedure involved is a simultaneous review of the purchase order, the receiving report and the invoice. By checking the receiving report against the purchase order, the purchaser determines whether the quantity and type of material ordered was in fact received. Then by comparing the invoice with the purchase order and received.

#### 8. Evaluating the purchasing performance

Purchasers need to evaluate whether the materials purchased from the supplier have satisfied the need of the users. This evaluation will help whether to consider the supplier next time.

The specific procedures employed by each should be designed to meet the unique needs of that firm. Properly designed procedures should accomplish four objectives according to Dobler. These are:-

- i. Fulfill each task satisfactorily with minimum of time, effort and proper work.
- ii. Effectively communicate and coordinate the efforts of one work group with another.
- iii. Minimize overlapping effort and group conflicts.
- iv. Permit effective management by exception (Dobler, 1996:89).

## **2.7 PURCHASING POLICY**

A policy is a statement that describes in very general terms may intend course of action. If policies are to function effectively, it is very important that they be placed in written form. A purchasing policy manual typically has two distinct sections, one containing company policies which spells out in unmistakable terms the responsibility and authority at all departments, and the other containing department policies which inform personnel of the expected patterns of conduct for major buying activities and for relations with suppliers. The purchasing policies should be clearly communicated to the staff. Medias for communicating this information to the company employee can be published regulation, Company informational booklet and departmental manuals (Alijan, 1973:2-31).

Purchasing policy places the authority and responsibly for purchasing in the purchasing department. Every transaction between a buyer and seller involving the transfer to property is a contract. From the beginning to the completion of a transaction between a buyer and seller, many problems are involved and the paper handling of these and the administering of the business features connected with them are vital factors in the successful operation of the company. For this reasons, the authority and responsibility of purchasing rests with the purchasing department.

The purchasing department is responsible to establish and administer purchasing policies, institute reports necessary to permit analysis of purchasing performance, negotiate and approve term contracts, analyze prices, paid for materials and generally define how to obtain saving and to co-ordinate purchasing procedures (Westing, 1985:2 -3).

The specific style, format and contents of purchasing policy manuals vary widely. What is important is that all major policies and operating procedures be communicated in writing.

They must be stated in simple and unambiguously words in a manual that is easy to use.

## **2.8 EMPERICAL REVIEW OF RELATED LITERATURE**

This section presents the assessment of research papers written in purchasing area. All the three papers were selected because of their similarity with the study in the assessment of the purchasing practices of organization. All the researchers tried to find out the gaps which exist in the purchasing process that hinders the effectiveness of its procedures with the common objective of examining the steps involved in the purchasing process and make feasible recommendations and improve the purchasing practice and Procedure.

### **2.8.1 Evaluating the purchasing procedure in Ethiopian Grain Trade Enterprise (Biruk, 2006)**

This is a senior essay by Biruk Assefa and presented to Addis Ababa University college of Commerce procurement and supplies management department.

The paper discusses the problems hindering the efficient purchasing practice in the organization. The main problems in the enterprise were poor quality of grain purchases because of suppliers deceiving purchasers, continuous price fluctuations, unclear purchasing procedures and incompetent purchasing staff. The paper presents a general research objective analyzing the purchasing procedures and understanding the relationship between purchasing and other units of the organization. The research findings show that the poor quality of grain is attributable to the fact that no technical specifications are given to purchasers and disloyal act of suppliers. The paper discusses unreliable suppliers are causes of inefficient purchasing since the enterprise has no permanent source of supply. Further the problem of unclear purchasing procedure is mentioned as a research finding. Thus developing a clear purchasing procedure is recommended for speedy purchasing process. Also development of specification for purchases and training the purchasers on the application of specification is recommended. Although the problem of unreliable and disloyal suppliers is presented as the critical problem possible ways of solving this problem are not suggested.

### **2.8.2 Purchasing Practice problems in Addis Modjo edible oil factory ( Tewodros, 2006)**

A senior essay prepared by Tewodros Walelgne and presented to Addis Ababa University College of Commerce procurement and Supplies management department.

The paper presents a list of problems which badly influence the company's purchasing performance. The major challenges are continuous price fluctuations in the supply market, shortage of raw materials, poor quality purchases, delayed purchases and unreliable suppliers. To address the above stated problems the researcher developed research objectives, which are analyzing the effects of purchasing on organizational performance and its process and learn about source of supply. The research findings shows that the absence of permanent suppliers is related to unreliable source of supply, which is bringing poor quality purchases, the existence of weak relationship between purchasing and other departments together with unskilled purchasing staff is delaying the purchasing process, the least price selection criteria the company is currently using

are bringing poor quality materials. Based on the analysis made the paper recommends solutions assumed to improve the challenges. The researcher proposes further research on the area to come up with viable solutions. Besides this, employing skilled manpower, and establishing permanent source of supply are recommended.

### **2.8.3 Purchasing management in Commercial printing enterprise ( Getachew, 2006)**

Research paper prepared by Getachew Zeleke and presented to Addis Ababa University College of Commerce purchasing department.

The discussion of the research problems states the occurrence of poor quality and delayed purchases critical hindrances on the effective purchasing performance. Further the minimum weight given by management for the function expedites the problem. The research objectives include analyzing the purchasing procedure, exploring management support and organizational structure and identifying the effects of organizational structure on purchasing performance. Additionally learning how purchases are being accelerated and finding out about the purchasing plan of the organization are mentioned as research objectives. The paper details a number of findings, which explain the reason behind the critical problems. This includes that there is no sound and strong relationship with suppliers, purchases are not properly planned, implemented and expedited, the absence of clear specification of items. Feasible recommendations were given by the researchers to improve the purchasing performance. Consequently the need for improved and strong relationship with suppliers is suggested. Besides this, the management is suggested to have effective plan and follow up system for purchasing. Further the paper proposes that the order processing system should be revised to meet current purchasing needs. Even though the findings show wrong purchases resulted from lack of clear specifications, the paper didn't propose on the importance of having specifications.

### **2.9 Summary**

Through the analysis on the related literatures and comparison made with the theoretical discussion we can understand the following.

- I) The researches show the prevalent gap between theoretical discussions in purchasing and the practical aspect. The basic principles of purchasing i.e. the FIVE RIGHTS are not given much attention in practice.
- II) The existence of common problems in purchasing area includes:
  - a. Lack of skilled manpower



- b. Minimal management attention for the function
- c. Unreliability of suppliers and absence of permanent and strong relationship with suppliers
- d. Out dated and ineffective purchasing procedures and manuals
- e. Wide use of least price suppliers selection criteria compromising quality
- f. Wrong quality purchases are frequently practiced
- g. Delayed purchases are common

III. The researchers; to enhance efficient and effective purchasing, suggest viable recommendations, which include:

- a. The need for employment of skilled manpower in the area
- b. The importance of substantial management attention for the effective and efficient purchasing
- c. The need for establishment of strong and long term relationship with reliable suppliers
- d. The need for revision of purchasing procedures, and manuals and for clear communication of the same with the concerned staff

## **CHAPTER THREE**

### **DATA PRESENTATIONS, ANALYSIS and INTERPRETATION**

#### **3.1 EXAMINING PROCEDURES OF PURCHASING PROCESS IN GOAL ETHIOPIA**

Through analysis of various documents and through questioner and interview, the researcher revealed that the purchasing function of GOAL Ethiopia is organized as a unit reporting to the logistics coordinator. The purchasing unit has a head (the procurement manager) and four procurement officer and one senior procurement officer who are graduates of purchasing and or related field with two or more years of experience. There are 3 categories of purchasing which are supplies, service and works and sometimes a hybrid purchase will be made. GOAL Ethiopia uses five types of purchasing procedures. These are:

- **Single Bid:** One offer from a supplier listed in the vendor roster is required prior to the confirmation of an order or contract. This is used when there is a low value transaction which is below 350 Euro and categorized in procurement level I and II
- **Negotiated:** Minimum of 3 offers obtained by contacting vendors on the vendor roster, for that type of purchase or supply. Only vendors invited to submit offers may do so. Quotes obtained from non-vendor roster suppliers should be justified by logistics and approved by the Assistant country director system (ACD-S) at the Bid Analysis (BA) stage. Justification should be recorded on the BA. This is used when the estimated price on the request is less than 30,000 Euro and when supplier market is known and vendor roster is in place and categorized in procurement level III - V.
- **Open National Tender:** Allows national suppliers to participate, view the full tender document and submit offers following the publication of Tender Notice. The Tender Notice must be issued in a periodical published in the country of operation and can also be published on the GOAL Website, giving adequate time for suppliers to respond. Note: donor stipulated publication requirements must be fulfilled in all cases. Therefore this procedure is used when there is a donor requirement and supplier market is unknown. Categorized in procurement level VI.
- **Open international Tender:** Same as above but the Tender Notice must be published on the GOAL website and/or other tender publishing websites and international periodicals

for a minimum of 30 calendar days. Preferred when there is high value procurement and supplier market is unknown. Categorized in Procurement level VII.

- **Restricted:** This is an alternative to Negotiated or Open Tender process and maybe used if required. Used when supplies and services requested is, either very generic or very specific and when the market information for the requested supplies or services is limited. It also used to eliminate middle men or brief case suppliers It is a three stage process:

1) Publication of expression of interest (EOI) in periodicals and GOAL Website

2) Vendors are shortlisted based on the EOI

3) Shortlisted vendors are provided with full tender document and invited to submit their offers

However there are some exceptions which may deviate from the standard purchasing procedures that allow purchases to go ahead on the basis of a single offer instead of a negotiated or tender procedure. Depending on the reason for needing to deviate from standard procedures it may be necessary to obtain a waiver from GOAL HQ (Head quarter) before proceeding or it may be sufficient that the justification is documented by the purchaser.

The manual states the criteria to be used while classifying different types of purchases and the purchasing department shall abide to the manual and should follow the procedures and instructions while categorizing a particular purchase and implementing the same. According to the purchasing head and the purchasing documents, open purchase is the critical both in terms of budget consumption and in meeting the operational needs. Since GOAL Ethiopia is an international recognized non- governmental organization those items purchased for Humanitarian purpose is considered very critical.

### **3.2 ASSESMENT OF THE PURCHASING STEPS IN GOAL ETHIOPIA**

The Purchasing step in GOAL Ethiopia involves 11 Steps:

1. **Assessing Needs:** The Purchasing Units recognize the need for Purchase in two ways; when users present purchase requisition and when store demands for replenishment of items in the store or purchase of immediately requested items.
2. **Prepare specification/TOR (Terms of Reference) and request purchase using OQRF (Order Quotation Request Form):** The user would have to prepare the request in detail so that the purchase would be successful

3. Ensure that the OQRF is fully completed and Authorized: The first thing the senior purchaser or the procurement manager does before accepting any request is checking the request is properly completed and clearly specified and if it has been authorized with the appropriate Budget holder.
4. Considering Donner Requirement: Each Donner has its own requirement regarding the things that are purchased, on the tender notice period, on the budget allocation period and so on. So checking the donor requirement before proceeding with the purchase is very critical.
5. Identifying the right purchasing Procedure: As discussed on the first section which purchasing procedure to follow must be identified like if it's single bid or negotiated and so on.
6. Seek Quotations or offers: Contacting vendors for an offer
7. Receive and Analyze offers: After receiving the offers Bid Analysis will be done based on the procedure listed above and the Bid analysis has to be signed by the technical person, Budget holder, Finance Head and the Country Director to get approval but if it is a single bid it goes straight to the next step which is giving order and the Budget holder and the finance head will make the approval.
8. Placing Orders or Contracts: Binding the winner supplier with a contract.
9. Receive goods / ensure completion of services or works: Mostly the purchasers themselves deliver the items to GOAL Head office but sometimes when it is a very large quantity the suppliers will deliver to the warehouse. The store Keeper will issue the Goods receiving document after getting confirmation of the item's quality against the request by technical person.

10. File all Documentation:

11. Pay vendors:

Note that in the case of high value purchases (>€30,000) an extra step applies (between 5 and 6) as approval must be required from GOAL HQ (Head quarter) logistics for the proposed method of conducting the purchase. For practical reasons most of the purchasing that takes place at GOAL HQ is for supplies (although service and works contracts can also be organized by GOAL HQ). Purchasing should take place in GOAL HQ when the requisite number of quotations cannot be obtained locally, nationally or regionally, or when the prices or quality available

locally, nationally or regionally are deemed unacceptable. Donor requirements may also make it impossible to purchase locally, nationally or regionally. But in any circumstances Purchases must also always be referred to GOAL HQ in the following cases:

- When the requirements are for communications equipment, satellite airtime, digital or video cameras or vehicles. If vendors who can supply these items are also available in country then offers should also be sought from these vendors based on a generic specification. Offers will then be compared from both locations;
- When the requirements are for pharmaceuticals or medical equipment, the purchases must be referred to GOAL HQ to ensure that acceptable quality is procured;
- Even if offers are readily available for a particular item in country, additional offers should still be requested from GOAL HQ if there is any suspicion on the part of the purchaser that the items are significantly more expensive than they would be outside the Country Region;
- High value requirements (purchases over €30,000 in value) must always be referred to GOAL HQ although these requirements may ultimately be fulfilled locally.

Through analysis of the purchasing process reveals a number of problems. The major problems are:

1. **Lots of decision makers:** Besides the lengthy purchasing process, involvement of large number of decision makers delays the process.
2. **Communication gaps:** There exists communication gap among parties involved in the purchasing process; this can be explained as follows:
  - a. The requesting unit might not clearly state the item required on the purchase requisition form since the form doesn't have enough room to write specification or sometimes the requesting persons have limited knowledge on the requested item or service.
  - b. For purchases that experts and technique committee will not be involved (non- bid and non-technical purchase) suppliers might deliver different items that users didn't request
  - c. Purchaser might purchase different items because they don't have clear understanding of the items requested or they simply assume the item they purchased can substitute the requested one.
  - d. There are instances that for the items which are available in the store, purchase requisition are issued and purchases were made, this is because users directly present their purchase requisition to purchasing unit without the consent of the store.

e. A particular purchase might go back and forward because some information is missing and this will further stretch the already long process.

3. Poor Record Keeping: There is a well-established record keeping for purchasing activities which is called Order Tracking Sheet (OTS) however since there is a big gap between the purchasers and the database officer specially on the single bid purchases, it's not getting updated as it needed to be.

4. Absence of Follow up: There is no systematic way for the user department to follow up the purchasing process except the OTS and since the OTS may not be updated on time the information on the purchase progress wouldn't be known.

5. Absence of accountability: There is no practice that intentional or negligent delay in purchasing would result accountability. If a particular purchase is taking too long no consequences will follow. As a matter of fact, there are no positive or negative reinforcements to make purchasers more committed to their work.

6. Least Price Selection Criteria: The purchasing manual only shows that all the requirements shall be satisfied and procedures are followed so that utility will be maximized at least cost possible. The importance of other elements in purchasing like right quality, quantity, source and time is not given proper emphasis.

7. Poor store and inventory management: There is no stock of items which are frequently requested. Every item will be purchased when the need arises.

### **3.3 EXAMINING THE PURCHASING STAFF PERFORMANCE**

In addition to the interview conducted with senior management staff, data was gathered through interview with purchasing staff. It was found out that the purchaser staff is responsible for a number of duties including: Summarizing and preparation of enquiry forms, Collection of Performa Invoice, Evaluation and Verification of Suppliers, Preparation of Purchase orders, purchasing the items, Processing and effecting the payment, Refueling vehicles if it is rented, Petty cash (Float) disbursement and replenishment. According to them, most of the purchases are Visibilities, IT Equipment, Vehicle Spare Parts, Kitchen Materials, Construction Materials, Medicines, Stationery Materials and so on and the unit is overloaded with lots of purchase in a month on the average they process around 143 purchases which is over 30 purchases in a week and which also almost over a thousand documentation is needed and this doesn't even include the

level I purchases that comes in the middle and settled by float (Petty cash). The long process for the approval of a purchase makes it averagely a week to finalize the acquisition.

In making purchases from Level I to Level IV the purchasers have the discretion to invite particular suppliers for quotation. The discretion given for the purchasers is important because as a result of their day to day work they would have information about reliable suppliers. But the chance that purchasers might establish unethical relationship with suppliers remains a threat. Having well established relationship with suppliers is important because one of the problems practiced in the institution is lack of long term relationship with suppliers. However the interview with both the purchasers and the senior management revealed that there is always emphasis on low price items the simple rule to select among suppliers is the least price and because of that user's requirements are not well met and they all agree that quality shouldn't be compromised.

According to the purchasers the main reason for delay in purchasing is that the purchasing unit has to follow strictly the purchasing process which involves verification and approval at different levels and this will take some time and sometimes the requested items might not be available in the market so the requisition shall be reprocessed specially in the case of Medicines. There are also instances users complaining about quality claiming the items are either wrong quality or poor quality. Which means some different type of the same product is purchased which might not met users requirement or the item might be the same but it's below standard and it doesn't effectively serve the intended purpose. Whereas users do not have many complaints on source, price and quantity of purchases as much as they are complaining on the quality since the rule is least price and sufficient quantity is often purchased besides users would not be concerned about how much a particular purchase costs, Their concern is to get the right quality items at the right time in sufficient. According the senior management the humanitarian response program consumes more budget than the rural development program and the fundamental document that guide purchasing process is the organization manual developed in head quarter but still implementing it based on the situation takes the skill of the manager. Looking from the interview it can be seen that the management is not playing satisfactory role mainly in establishing long lasting relationships with reliable suppliers. This is principally important for regular purchases, which will not require bidding; and also nothing has been done to accelerate the process and encourage efficient and promote purchases. The other thing is users are not exactly specifying the items they request for purchase. The reason might be they lack the knowledge of specification and the purchase requisition form doesn't have space for this. This is causing wrong quality

purchase and sometimes the suppliers create problems in the purchasing process like Participating in a tender without possessing the item to supply assuming they can make it ready if they win the tender or Quoting prices with time limit, assuming the purchasing process takes time and would give them room to demand for price revision.

#### **3.4 ASSESMENT OF THE PURCHASING ROLE IN MEETING USERS REQUIRNMENT**

To assess the role of purchasing unit in meeting user's requirements questionnaires were distributed to all employees who are 80 employees using census sampling method so that the samples have good representations from every department and which consist both lower and senior management staffs. 60 questionnaires were returned which represents 75% of GOAL Ethiopia. The data is presented and analyzed using graphs and tables.



### 3.4.1 RESPONDANTS PROFILE and COMPOSTION

**Table 1: Respondents' Profile**

PROFILE	CHOICE	No OF RESPONDATS	PERCENTAGE
Education Level	Certificate or less	10	16.7%
	Diploma	15	25%
	First Degree	30	50%
	Masters and Above	5	8.3%
	TOTAL	60	100%
Gender	Female	25	41.7%
	Male	35	58.3%
	TOTAL	60	100%
Age	20 - 29	15	25%
	30 - 39	36	60%
	40 - 49	7	11.7%
	50 and Above	2	3.3%
	TOTAL	60	100%
Work Position	Senior Management Level	10	16.7%
	Middle Level Management	22	36.7%
	Lower Level	28	46.7%
	TOTAL	60	100%

The above table shows 50% of the employees have a first degree, 41.7% of the respondents' replies that they possess Diploma and below that only 8.3% of them have Masters and above this implies very fewer employees got the chance to advance in their education and from this 58.3% of them are male staffs implying 1:4 ratio of female to male employment distribution in the organization. The age distribution more lies between 30-39 because 60% of the respondents' fall with in this category only 36.7% of the respondents' are between 20-29 and 40-49. The

remaining are above 50. The table also shows most of the respondents' are at lower level however 36.7% and 16.7% are at middle and senior management level respectively.

### 3.4.2 HOW OFTEN PURCHASES ARE REQUESTED

**Table 2: Number of times Purchases are request**

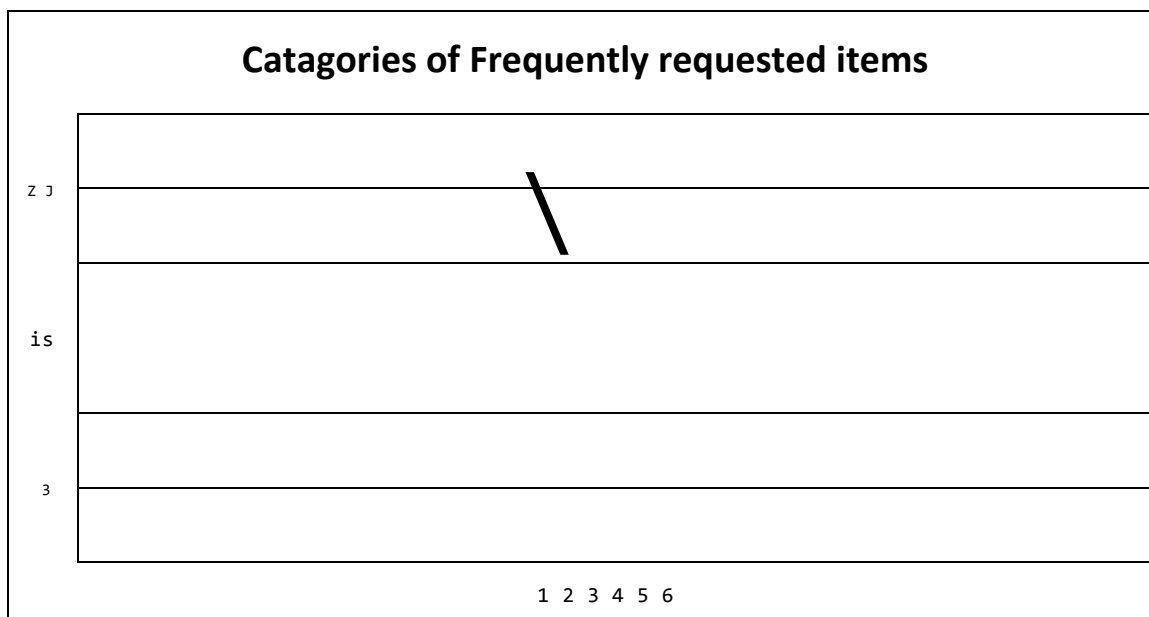
	CHOICE	RESPONDANTS	PERCENTAGE
How often do you fill Purchase requisition?	At Least Once a Month	23	51%
	Every Week	10	22%
	At least once a Year	12	27%
	TOTAL	45	100%

The above table shows that 51% of the respondents make purchase request at least once in a month, 22% of the respondents make purchase request every week and 27 % of the respondents make purchase requests per year. This explains that the majority of the users make frequent purchase request because almost half of the respondents makes purchase request at most every month and this implies the purchasing units are very busy with large and frequent purchase requests.

### 3.4.3 FREQUENTLY ASKED MATERIALS

**Table 3: Frequently asked Materials**

	CHOICE	PERCENTAGE
Which items do you request mostly?	Education, Promotion and Printing Materials	16.7%
	Stationery and office Supplies	23.3%
	Computers and Accessories	25%
	Kitchen and Sanitary Supplies	13.3%
	Vehicle and Motor Bike Parts	8.3%
	Other	13.3%
	Total	100%



Key: 1..... Education, Promotion and Printing Materials

2.. .. Stationery and office Supplies

3.. .. Computers and Accessories

4 ..... Kitchen and Sanitary Supplies

5 . .... Vehicle and Motor Bike Parts

6 Other

The Above table or graph shows that most respondents make Purchase request for Computers and Accessories, Stationery and office Supplies and Education, Promotion and Printing Materials respectively in their order. The other respondents responded differently for their purchase request which was not included in the questioner such as Medicines, nutritional content items and other Transportation and Construction services.

#### 3.4.4 RATING PURCHASE PERFORMANCE INTERMS OF 5R's PURCHASING PRINCIPLES

- In terms of the right Quality

**Table 4: Purchased Items in terms of Right Quality**

How do you rate the performance of purchasing in terms of right quality?	CHOICE	Respondents	PERCENTAGE
	Always	8	13.3%
	Most of the Time	11	18.3%
	Rarely	27	45%
	Never	12	20%
	Don't Know	2	3.3%
	TOTAL	60	100%

The table shows 65% of the respondents' replayed purchasing unit is rarely or never making the right quality of purchase. This is very significant number showing that users are not satisfied by the quality of the items being purchased. If such large number of users are dissatisfied with the quality of purchased items this would indicate some problem in purchasing performance.

- In terms of the right Quantity

**Table 5: Purchased Items in terms of Right Quantity**

How do you rate the performance of purchasing in terms of right quantity?	CHOICE	Respondents	PERCENTAGE
	Always	55	91.7%
	Most of the Time	4	6.7%
	Rarely	1	1.7%
	Never	0	0
	Don't Know	0	0
	TOTAL	60	100%

The Table shows most respondents' are satisfied by the quantity of the items purchased because 98.4% of the respondents' replied always and most of the time purchasing makes the right

quantity which indicates quantity is never been a problem almost all requesters receives as per their request .

- In terms of the right Source

**Table 6: Purchased Items in terms of Right Source**

	CHOICE	Respondents	PERCENTAGE
How do you rate the performance of purchasing in terms of right source?	Always	13	21.7%
	Most of the Time	21	35%
	Rarely	10	16.7%
	Never	9	15%
	Don't Know	7	11.7
	TOTAL	60	100%

The Table shows that 21.7% of the respondents' replied always the purchased items are from the right source however 51.7% of them replied most of the time and rarely so this implies there are still some users who are not satisfied with the source and this directly affects the quality of the items because most of the time the supplier is selected based on least price.

- In terms of the right Price

**Table 7: Purchased Items in terms of Right Price**

	CHOICE	Respondents	PERCENTAGE
How do you rate the performance of purchasing in terms of right Price?	Always	10	16.7%
	Most of the Time	13	21.7%
	Rarely	10	16.7%
	Never	7	11.7%
	Don't Know	20	33.3%
	TOTAL	60	100%

Based on the above table most respondents don't have any idea about the pricing of the purchased item. This is understandable in which most of the time the exact amount of the purchased item is not revealed to everyone.

- In terms of the right Time

**Table 8: Purchased Items in terms of Right Time**

How do you rate the performance of purchasing in terms of right Time?	CHOICE	Respondents	PERCENTAGE
	Always	3	5%
	Most of the Time	11	18.3%
	Rarely	26	43.3%
	Never	20	33.3%
	Don't Know	0	0
	TOTAL	60	100%

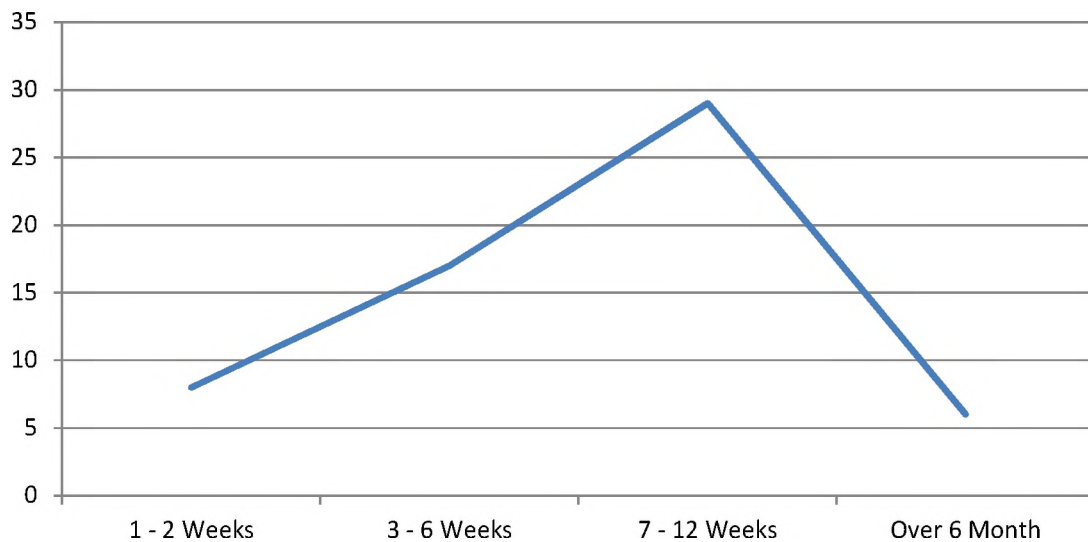
This Table Shows that 76.6% of the respondents' replied Items are rarely or never delivered on time and this indicates that there is a huge delay of purchasing an item. This can also be indirectly interpreted as the table shows some interruptions of work, additional costs due to the supplier might be out of stock all this because of the delay.

### 3.4.4 AVERAGE TIME IT TAKES TO RECEIVE REQUESTED ITEM

Table 9: Average Time a Purchase takes Place

What is the average time it takes you to receive an item you requested?	CHOICE	RESPONDANTS	PERCENTAGE
	1 - 2 Weeks	8	13.3%
	3 - 6 Weeks	17	28.3%
	7 - 12 Weeks	29	48.3%
	More than 6 Month	6	10%
	Total	60	100%

#### Average Time Purchase will take place

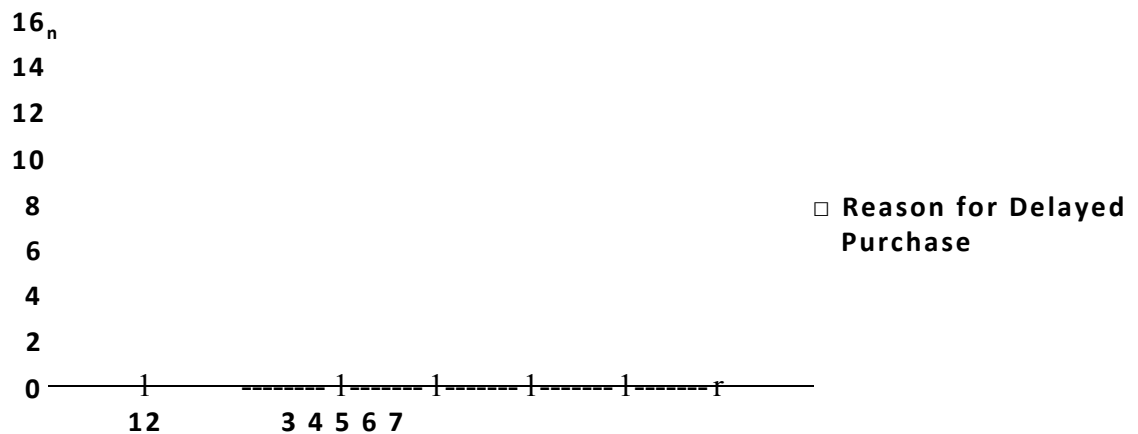


48.3% or 29 of the respondents replied a purchase takes three months or more and 28.3% of the respondents' replied at least two months for a purchase to take place, the table shows only 13.3% of the responses confirm that the purchases are done within two weeks. This data is a clear indication that the purchasing process is very lazy.

### 3.4.5 REASON FOR DELAYED PURCHASE

**Table 10: Reason for Delayed Purchases**

What do you think the reason for Delayed Purchase?	CHOICE	PERCENTAGE
	Lengthy purchasing process	25%
	Bureaucratic red tape	21.7%
	Work load on the purchasing staff	16.7%
	Lack of skill and experience by the purchasing staff	3.3%
	Lack of motivation	15%
	Suppliers' problem	11.7%
	Budget problem	6.7%
	Other	
	Total	100%



Key:

1..... Lengthy purchasing process

2..... Bureaucratic red tape

3..... Work load on the purchasing staff

4..... Lack of skill and experience by the purchasing staff

5..... Lack of motivation

6..... Suppliers' problem

7..... Budget problem



The highest proportion (46.7%) blame the lengthy purchasing process and the bureaucratic red tape for the delay the 11.7% respondents' blamed the suppliers however 31.7% respondents' blamed, the work load on the purchasing staffs and lack of motivation in which the motivation problem has to be studied in detail. And 6.7% of them blamed the budget problem this is because these employees believe that there is no budget problem because every fiscal year there is some money returned back to head quarter and they believe that the problem lies in the allocation of the budget by the budget holders. In other words lengthy purchasing process and the bureaucratic red tape are the core reason for the purchases not to be delivered on time.

The questioner report shows that purchasing has critical problem in making quick purchases. Also the problem of quality and right sourcing require due attention. The poor performance of purchasing is causing lots of problems in the organization; the questioner report indicates that many respondents experienced problems in their work as a result of purchasing unit's poor performance. Such as in: Stationery Materials which don't work properly, Defective printed Materials like logos in a T-shirt or in any visibility request,

#### **3.4.7 INSTANCES OF REQUESTED ITEMS NEVER PURCHASED OR WRONG ITEMS PURCHASED**

**Table 11: Instances of Requested Items**

Were there instances that the items you requested never purchased? And instances Items which are different from your request?	CHOICE	Items Never Purchased	Items Wrongly Purchased
	Yes	2	28
	No	58	32
	Total	60	60

The Finding of the Survey also shows that almost there was never an instance that the requested item was never purchased nevertheless 46.7% respondents' replied that Items are purchased which are different or related from the requested one. This indicates Users are not getting as per their request in terms of quality.

### 3.4.8 REASON FOR PURCHASING OF ITEMS DIFFERENT FROM THE REQUESTED

**Table 12: Reason for Purchased Items different from the requested**

What do you think would be the reason for purchasing different or related item from the requested one?	CHOICE	RESPONDANTS	PERCENTAGE
	Unclear specification of items on the purchase request	20	33.3%
	Purchasers lack of knowledge to identify the item	8	13.3%
	Suppliers don't have the item	28	46.7%
	Other	4	6.7%
	Total	60	100%

According to the survey most mismatch of the purchase happen due to the suppliers not having the required item that means the chosen supplier may get out of stock in other words since it takes a very long time to order so instead of being the required item it will be related to what the user requested. The other mismatch happens because of unclear specification of items on the purchase request and this happens due to some receiving parties lack the knowledge particularly with respect to Medicines.

Such mismatch between purchase requisition and item purchased has several consequences.

- The item purchased might not effectively substitute the item requested
- Users might decline to receive the item
- Suppliers will not be willing to change the item
- The purchased items might seem to fit for the intended purpose for a while and might not last long
- Work will be interrupted
- Users will be forced to wait for another lengthy purchasing process
- Items will be simply discarded
- Conflict between users and purchasers will happen
- Waste of resource for items to be repurchased

## **CHAPTER FOUR**

### **SUMMARY, CONCLUSIONS and RECOMMENDATIONS**

#### **4.1 SUMMARY**

Materials and Services constitute a major cost of any organization. The efficient procurement and handling of material represent a key role in the successful completion of the work. Purchasing deals with the acquisition of materials to be used in the operations. The primary function of purchasing is to get the materials at the lowest cost possible but keeping in mind quality requirements. Much progressive management have already realized that in lieu of changing business conditions, growing competition, continual in the costs of inputs, purchasing must be given equal status to that of other major functions. This paper tries to assess the purchasing procedures of GOAL Ethiopia to point out the strength and weakness of its purchasing process.

In Overall Speaking GOAL Ethiopia has its own purchasing manual that describe the procedures of the purchasing process including the definition of each terminology. The five purchasing procedures which are: single bid, Negotiated, Open National tender, open international tender and restricted, will be applied for all the purchasing categories (Supplies, Service and Works) based on the level of the procurement. Whenever there is some exception which deviate from the standard purchasing procedure, a waiver will be raised and GOAL HQ will approve depending on the reason otherwise it may be disregarded. Therefore the purchasing department shall bear to the manual and must follow the procedures and instructions while categorizing a particular purchase and implementing the same.

Based on the manual the organization has 11 purchasing steps starting from Assessing needs, preparing TOR and ensuring the OQRF is fully completed to considering donor requirement, Identifying the right purchasing Procedure, Seek Quotations, Receive and Analyze offers, Placing Orders or Contracts, Receive goods / ensure completion of services or works, File all Documentation and Paying vendors. Through all this steps they get to process averagely 143 purchases in a month.

GOAL aims to ensure that all purchasing is carried out in an ethical fashion and is itself ethical. Consequently the guidelines laid down by GOAL on vendor and GOAL standards must be applied and followed by all purchasing staff and also GOAL will (where appropriate) report to

external third parties (donors and regulatory bodies ) and confirm any Fraud indicating what steps have been taken to address the weaknesses in the systems of control related to the fraud. And also Donor requirement must also be taken into consideration because it may make it impossible to purchase locally, nationally or regionally.

The purchasing staff is responsible for a number of duties one of this is making a well-established relationship with suppliers so that the quality of the purchased items will be retained. They are also given the discretion to invite suppliers for quotation from Level I to Level IV procurement level.

In General the purchasing manual which the organization has govern the process all the way and gives no room for the department to deviate from it. Both the interview and the questioner reveled that most of the time less priced item is prioritized over any other qualities which also can be seen that 45% of the respondents' replied wrong qualities are purchased and this implies that the purchase of wrong items or similar to the requested one which may not function as the original item intended to. Beside this 46.7% respondents' agreed the process that has to be followed to make any purchase is the main reason for the cause of the delay. For level three and above at least there will be 4 to 6 persons who have to sign and approve the bid analysis in order for the PO to be raised. By that time if the PO got out of stocked those people has to be communicated and will take 2 or 3 days to go to the second least price. This process delay intern create a lot of problem for the continual performance of the organization and also it is a bad reputation for the organization to make a good relationship with suppliers which is one of the factors that compromise quality of an item.

Aside from the longer process, lacking sufficient knowledge from the requesting party that 33.3% of them replied about the item is also one of the issues which make the purchased item unfit to the intended purpose and also Items are requested without communicating the quantity available in the store and making it excessively available and sometimes forcing it to get rid of it because it got expired especially in the case of medicines.

In all the cases some of the budget that is intended to do its purpose is getting wasted and getting compromised just for the sake of purchasing the item and using of the budget which is very ironic

because the main purpose of the organization is using of the financial plan appropriately to the intended society.

## **4.2 CONCLUSIONS**

To gather information for the paper primary sources including questionnaire and interview were used, and also secondary sources including purchasing documents and manuals were revised. Both the primary and secondary sources revealed that the purchasing department of GOAL Ethiopia has some problems which made it inefficient in some areas. The major areas of poor performance or in other words the research findings can be summarized as follows:

1. The management is not giving sufficient emphasis for the purchasing function. This can be observed from the following:
  - Not establishing systematic ways of expediting and follow up of the purchasing process.
  - Not establishing long term mutually benefiting relationship with reliable suppliers.
  - Not devising mechanism to reward efficient purchases and penalize inefficiencies
2. Purchase requisition (OQRF) forms are not filled properly which creates misunderstanding with purchasers and the items delivered might not be in the exact shape as the requester thought it would be or it may not perform as intended to be.
3. Even though there exist a system which is called order tracking sheet the database for recording the purchasing activities is not updated on timely basis which makes it difficult to regulate and check the status of the purchasing process and also it creates a big communication gap between purchasing department & Program department.
4. The receiving process is not properly organized, sometimes parties assigned lack expertise to verify quality of items
5. There is no direct and immediate consequence for inefficient purchases given by the manual
6. Items are requested without checking with stock and this exposes to additional cost
7. Everyone is giving high emphasis for least price other principles of purchasing to secure right quality, quantity; sourcing and timing of purchases are not given as much attention as the least price as the manual explicitly states utility will be maximized at least cost possible, proper emphasis is not given to other elements like quality, time & source.

8. The purchasing process is very long with lots of decision makers and still nothing will be made for a particular purchase that is taking too long which means no reinforcements to make purchasers more committed to their work.
9. There is a huge store & inventory management there won't be items on the stock which are frequently asked and also there is an instance of newly purchased items while there is sufficient amount in the stock. This might also be caused by the user presenting the requisition directly to the purchasing unit without the consent of the store but still it is very hard to get updated information on time.

In General all the levels in the purchasing procedures helps to minimize the fraud that might exist along the way, but it still slows down the process to deliver an item or service on time. The manual states all the process that any purchaser has to follow in every process and this also helps to track down all the levels however it lacks to give proper emphasis on quality and time.

#### **4.3 RECOMMENDATIONS**

To alleviate the above mentioned problems the following recommendations are forwarded.

1. The management should give more emphasis to the purchasing process by giving due consideration to the following:
  - Assigning qualified staffs who can check and receive the requested items
  - Effectively communicating the importance of having efficient purchasing management which can be met by securing the purchase of right quality item, in the right quantity, from the right source, purchased for the right price and delivered at the right time.
  - Establishing systematic ways of expediting and follow up of the purchasing process
  - Seeing ways to establish long term mutually benefiting relationship with reliable suppliers since this will reduce suppliers cheating problem and to a higher extent tackle low quality purchases and delayed deliveries.
  - The management should also device mechanism to motivate purchasers through recognizing and rewarding efficient purchases while making sure intentional inefficiencies would result in substantial accountability.

Above all if they implement e-procurement method to process the purchasing activities it would really help to expedite the longer process. It certainly will make communication needed in competitive bidding, purchase order placement, order tracking, and follow-up are enhanced by the speed and ease afforded by establishing online systems. In addition, negotiation may be enhanced and reverse auctions will be facilitated. This will allow the firm to specify a requirement and receive bids from suppliers, with the lowest bid winning. The use of e-procurement technologies in some firms has resulted in reduced prices for goods and services, shortened order-processing and fulfillment cycles, reduced administrative burdens and costs, improved control over off-contract spending, and better inventory control. Therefore the implementation of this technology will drastically change the problem faced by the time delay.

2. In addition to the management effort the purchasing unit shall improve its performance by considering the following:

- Maintaining comprehensive records for purchasing activities
- Designing suitable forms to process purchases including purchase requisition and purchase order having sufficient space for specification
- Developing and understanding ways to expedite purchases like by making a clear communication with the requesting parties before going ahead with the purchasing process.
- Revising the purchasing process and avoiding steps which are redundant like processing the payment & PO simultaneously if the purchaser is sure & communicated with the supplier by phone that the item exists, and make sure the parties involved are mandatory in the process.

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### **Interview questions for purchasing staffs of GOAL Ethiopia**

1. Briefly describe the nature of your job?
2. What different types of purchases do you make?
3. How many purchase requisitions do you receive per week on the average?
4. How long a particular purchase would take you on the average?
5. How do you identify the right supplier?
6. What do you think is the most important objective to be met in a particular purchase?
7. Are there instances users complaint about the following:
  - a. Late purchases \_\_ yes \_\_no
  - b. Wrong quality items \_\_ yes \_\_no
  - c. Wrong quantity of items yes no
  - d. Wrong sourcing of items yes no
  - e. Wrong pricing of items yes no

### **Interview questions for senior management staffs of GOAL Ethiopia**

1. Which purchases consume more budgets?
2. What are the fundamental documents guiding your purchasing process?
3. What are the steps involved in the purchasing process?
4. Have you practiced problems in implementing a purchase process due to any of the steps involved?
5. Which of the FIVE RIGHTS of purchasing [right quality, right quantity, right price, right time and right source] is/ are given more emphasis in your purchasing process?
6. Do you think the purchasing manual gives more emphasis to some of the FIVE RIGHTS of purchasing?
7. Are there incentives to encourage efficient and prompt purchases?
8. How do you expedite the purchasing process?

# **St. Mary's University**

## **Business Management for undergraduate program**

### **Questioner for GOAL Ethiopia Employees**

This questionnaire is designed to gather information on purchasing practice & policy of GOAL Ethiopia. For the research conducted in partial fulfillment of undergraduate degree. Your cooperation is a valuable input for the research findings. You may choose more than one option when applicable. Please provide your answer carefully & genuinely furthermore you don't have to write any names & your answer will be treated confidentially.

#### **PART I BACKGROUND INFORMATION**

Please put a tick (V) mark corresponding to your response

1. Education level

- |                     |                          |
|---------------------|--------------------------|
| Certificate or less | <input type="checkbox"/> |
| Diploma             | <input type="checkbox"/> |
| First Degree        | <input type="checkbox"/> |
| Masters & more      | <input type="checkbox"/> |

2. Gender

- |        |                          |
|--------|--------------------------|
| Female | <input type="checkbox"/> |
| Male   | <input type="checkbox"/> |

3. Age

- |            |                          |
|------------|--------------------------|
| 20 - 29    | <input type="checkbox"/> |
| 30 - 39    | <input type="checkbox"/> |
| 40 - 49    | <input type="checkbox"/> |
| 50 & above | <input type="checkbox"/> |

4. Work Position

- |                         |                          |
|-------------------------|--------------------------|
| Senior Management Level | <input type="checkbox"/> |
| Middle Level Management | <input type="checkbox"/> |
| Lower Level             | <input type="checkbox"/> |

5. Do you make Purchase requisition?

Yes ☐

No ☐

If Yes:

6. How often do you fill Purchase requisition?

At Least once a month ☐

Every Week ☐

At least once in a Year ☐

Other

Which items do you request mostly?

Education, Promotion & Printing Materials ☐

Stationery & office Supplies ☐

Computers & Accessories ☐

Kitchen & Sanitary Supplies ☐

Vehicle & Motor Bike Parts ☐

Other

8. How do you rate the performance of purchasing function in the following respects?

It Purchases the	Always (1)	Most of the time (2)	Rarely (3)	Never (4)	Don't know (0)
Right Quality					
Right Quantity					
From Right Source					
For Right price					
At the Right Time					

9. Do you think it takes too long to receive the items you requested?

Yes ☐

No ☐

I don't know ☐

If yes please answer question number 10 & 11

10. What is the average time it takes you to receive an item you requested?

1-2 weeks ☐

3-6 weeks ☐

7-12 weeks ☐

More than 6 month ☐

11. What do you think the reason is? (You can mark more than one option)

Lengthy purchasing process ☐

Bureaucratic red tape ☐

Work load on the purchasing staff ☐

Lack of skill and experience by the purchasing staff ☐

Lack of motivation ☐

Suppliers' problem ☐

Budget problem ☐

Others (mention) \_\_\_\_\_

12. In which area do you think the purchasing function doing badly? (You can mark more than one option)

Right quality ☐

Right quantity ☐

Right price ☐

Right source ☐

Right Time ☐

13. Have you encountered any problem because of the poor performance of Purchasing?

Yes ☐

No ☐

I don't know ☐

If yes, please write it

14. Were there instances that the items you requested never purchased?

Yes ☐

No ☐

I don't know ☐

15. If yes were you informed why they will not be purchased on time?

Yes ☐

No ☐

If yes what was the reason \_\_\_\_\_

16. Are there instances that the purchasing unit purchased items for you, which are different from your request?

Yes ☐

No ☐

17. If yes, what do you think would be the reason?

Unclear specification of items on the purchase request ☐

Purchasers lack of knowledge to identify the item ☐

Suppliers don't have the item ☐

Others \_\_\_\_\_

18. What is the consequence of such mismatch purchasing activity?

Thank you for your time!

## DECLARATION

### ADVISEES DECLARATION

I, the undersigned, declare that this senior essay is my original work, prepared under the guidance of Ato Biruk G/M. All sources of materials used to the manuscript have been dully acknowledged.

Name: Selamawit Seferih

Signature: \_\_\_\_\_

Place of submission: ST. Mary's University

Date of Submission: June 12, 2014

### ADVISOR'S DECLARATION

This senior Research Paper has been submitted to department of Management in partial fulfillment for B.A degree in management with my approval as an advisor.

Name:

Signature:

Date:



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